


Niagara Structural Steel

ST. CATHARINES

Annual Report

FOR THE YEAR ENDED AUGUST 31

1971



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ENGINEERING AND CONSTRUCTION FOR INDUSTRY

THE LUMMUS COMPANY CANADA LIMITED

1300 DON MILLS RD., DON MILLS 404, ONTARIO

PHONE (AREA 416) 449-9131

November 30, 1971

Letter No.: 59-558

Niagara Structural Steel
23 Smith Street
ST. CATHARINES, Ontario

ATTENTION: Mr. J. Walter

Dear Sir:

RE: Job NY 6272 - Bruce Heavy Water Plant
Purchase Order 6272-900S, 6272-2512S

Please find enclosed copy of Contract Final Acceptance related to the above subject, for your information and records. We should also like to take this time to express our satisfaction in the manner in which your organization handled this Purchase Order.

Yours very truly,

THE LUMMUS COMPANY CANADA LIMITED

J. Holland
J. Holland
Construction Manager

GM:mr
Encl. -1-
cc: D. N. Morgan, A.E.C.L. Resident Engineer (att.)
G. W. Gillespie (att.)
F. J. Giaccio (att.)
K. G. Watt (att.)
C. C. Creason (att.)
Quality Control (att.)
G. Morris (att.)
File: P. O. 6272-900S (att.)
6272-2512S (att.)

**NIAGARA STRUCTURAL STEEL
COMPANY LIMITED**

HEAD OFFICE

SMITH & PETRIE STREETS
ST. CATHARINES, ONTARIO

SERVICES:

Steel Fabrication	Niagara Structural Steel (St. Catharines) Limited St. Catharines, Ontario.
Steel Erection	Niagara Structural Steel Company Limited St. Catharines, Ontario.
Steel Service Centres:	Niagarasteel St. Catharines, Ontario.
	Northern Steel Co. Ltd., Sept-Iles, Quebec

DIRECTORS:

B. A. BROWN
S. HALPERIN
M. J. HOWE
R. A. KENNEDY
H. W. OLCH, Q.C.
H. P. TOMARIN
E. W. YEO, C.A.

OFFICERS:

H. P. TOMARIN, President and General Manager
R. A. KENNEDY, Senior Vice-President
S. HALPERIN, Vice-President
H. W. OLCH, Q.C., Secretary
ELLARD W. YEO, C.A., Treasurer

AUDITORS:

DAVID B. FINÉ & COMPANY
TORONTO, ONTARIO

SOLICITORS:

OLCH, TORGOV & COHEN
TORONTO, ONTARIO

REGISTRAR AND TRANSFER AGENT:

THE CANADA TRUST COMPANY
TORONTO, ONTARIO

First Preference Shares, Series "A" Listed : The Toronto Stock Exchange

THE YEAR IN REVIEW

Your Directors herewith submit the Annual Report of your Company for fiscal year ended August 31, 1971.

Features of fiscal 1971:

- Net profit of \$61,498 after providing for income taxes of \$43,949 - compared with net profit for fiscal 1970 of \$84,688.
- Sales volume of approximately \$9,200,000 - compared with \$10,300,000 for fiscal 1970.
- Four quarterly dividends paid to first preference shareholders to a total of \$32,719.
- Earnings per common share of 5.91¢ after first preference share dividends - compared with 10.67¢ for fiscal 1970.
- Profit before provision for income tax of \$105,447 compared with \$131,145 for fiscal 1970.
- \$12,000 allocated to the share purchase fund to be used for the purchase and retirement of 2% of the total issued first preference shares.
- Continuing profits from operations at Sept-Illes, Quebec, by subsidiary Northern Steel Co. Ltd.

Throughout our industry the past year has been difficult due to rising costs, labour difficulties, high interest rates and uncertainty as to the effect of Canada's re-structured tax system, all contributed to curb expansion by heavy industry. All indications now point to an encouraging climate for capital works in 1972-3 and management is predicting a gradual return to an era of increasing and profitable activity.

January 15, 1972

Major Projects completed by Niagara during 1971 included Atomic Energy of Canada Heavy Water Plant at Douglas Point for Lummus Co. of Canada Ltd.; "E" Line Buildings, North and South, at General Motors of Canada Ltd., St. Catharines for Newman Bros. Ltd. and Stewart and Hinan Construction Ltd., Process Pipe Trestle at Clarabelle Mine, Copper Cliff for International Nickel Company of Canada Limited.

Included in the present backlog are "B" Line Courtyard at General Motors of Canada Ltd., St. Catharines for Newman Bros. Ltd.; H.C.L. Plant at Dominion Foundries and Steel, Ltd., Hamilton for Keramchemie Canada Ltd.; Bank of Montreal and Cinema buildings at The Lloyd Jackson Square, Hamilton for Tricon Construction Corporation; Factory Building for CIBA GEIGY at Galt for Ball Bros. Ltd.; Service Building at Iron Ore Company in Labrador City, Newfoundland; Windsor Public Library for Scofan Contractors Ltd.; South Muskoka River Bridge near Gravenhurst for the Department of Transportation and Communication; Plant Additions for International Nickel Company of Canada in Port Colborne.

Your Directors are pleased to record their sincere appreciation for the dedicated services of management and all employees over the past year.

Respectfully submitted
on behalf of the Board of Directors,

H. P. Tomarin
H. P. TOMARIN
President

NIAGARA STRUCTURAL STEEL COMPANY
CONSOLIDATED

A S S E T S

AUGUST 31

1971 1970

Current

Cash	\$ 29,755	\$ 48,253
Accounts receivable, less allowance for doubtful accounts	2,581,453	2,330,556
Income taxes recoverable		5,964
Current portion of long term asset due within one year (Note 10)	7,138	6,682
Inventories of steel, work in process and sundry materials, at lower of cost or net realizable value	1,628,812	1,988,494
Prepaid expenses	47,903	62,572
	<u>\$4,295,061</u>	<u>\$4,442,521</u>

Long Term Asset

Balance owing on building pursuant to an agreement of sale (Note 10)	<u>\$ 69,482</u>	<u>\$ 76,620</u>
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Fixed

Land, land improvements, buildings, machinery and equipment, automotive equipment, office furniture and fixtures (Note 2)	\$2,116,591	\$2,070,843
Less - accumulated depreciation (Note 3)	<u>643,844</u>	<u>584,822</u>
	<u>\$1,472,747</u>	<u>\$1,486,021</u>

Other

Incorporation and issue expenses, less amortization (Note 4)	<u>\$ 40,000</u>	<u>\$ 44,000</u>
	<u>\$5,877,290</u>	<u>\$6,049,162</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders,
Niagara Structural Steel Company Limited,
St. Catharines, Ontario.

Dear Sirs:

We have examined the consolidated balance sheet of Niagara Structural Steel Company Limited and subsidiary companies as at August 31, 1971 and the consolidated statements of operations, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that in our opinion, the accompanying consolidated balance sheet and related consolidated statements of operations, retained earnings and source and use of funds present fairly the financial position of the Companies as at August 31, 1971 and the results of their operations and the sources and uses of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

DAVID B. FINE & COMPANY,

Chartered Accountants.

Toronto, December 23, 1971.

LIMITED AND SUBSIDIARY COMPANIES
BALANCE SHEET

LIABILITIES

		AUGUST 31	
		1971	1970
Current			
Bank advances (secured) (Note 6)	.....	\$1,527,549	\$1,249,384
Accounts payable and accrued liabilities	.....	1,506,929	1,911,667
Income and other taxes payable	.....	42,895	69,625
Advances on construction in progress	.....	146,627	184,851
Long term debt due within one year (Notes 5 and 7)	.....	55,900	55,900
		<u>\$3,279,900</u>	<u>\$3,471,427</u>
Long Term Debt			
Bank loan (secured) (Note 5)	.....	\$ 316,675	\$ 318,575
7% Mortgage payable, due December 31, 1972 (Note 7)	.....	2,500	6,500
		<u>\$ 319,175</u>	<u>\$ 325,075</u>
		<u>\$3,599,075</u>	<u>\$3,796,502</u>

SHAREHOLDERS' EQUITY

Capital Stock Authorized:			
50,000	First preference shares with a par value of \$30 each, issuable in series.		
(1,750)	First preference shares, series A purchased for cancellation out of purchase fund (Note 9)		
(1,471)	First preference shares, series A converted into common shares (Note 12)		
<u>46,779</u>	Balance authorized		
1,000,000	Common shares without par value		
Issued and fully paid:			
1971	1970		
20,000	20,000	6½% cumulative, redeemable, convertible first preference shares, series A with a par value of \$30 each, redeemable at \$31.50 (Note 11)	
		.....	\$ 600,000
(1,750)	(1,750)	First preference shares, series A purchased for cancellation out of purchase fund (note 9)	(52,500)
(1,471)	(1,446)	First preference shares, series A converted into common shares (Note 12)	(44,130)
<u>16,779</u>	<u>16,804</u>	Balance outstanding	<u>\$ 503,370</u>
475,007	475,007	Common shares without par value	\$ 997,507
11,768	11,568	Common shares issued on conversion of first preference shares, series A (Note 12)	44,130
<u>486,775</u>	<u>486,575</u>	Balance outstanding	<u>\$1,041,637</u>
Excess of net asset value of subsidiary over purchase price of shares at date of acquisition			
	.....	\$ 193,897	\$ 193,897
Contributed surplus (Note 9)		5,553	5,553
Retained earnings		496,705	483,150
First preference shares, series A purchase fund (Notes 9 and 13)		37,053	25,053
		<u>\$ 733,208</u>	<u>\$ 707,653</u>
		<u>\$5,877,290</u>	<u>\$6,049,162</u>
Approved on behalf of the Board:			
Director: H. P. Tomarin			
Director: Harry W. Olch			

**NIAGARA STRUCTURAL STEEL COMPANY LIMITED
AND SUBSIDIARY COMPANIES**

CONSOLIDATED STATEMENT OF OPERATIONS

	YEAR ENDED AUG. 31	
	1971	1970
Net sales	\$ 9,194,972	\$10,301,827
Cost of sales and expenses	8,850,837	9,911,212
Profit from operations before providing for the undernoted items	\$ 344,135	\$ 390,615
Provision for depreciation (Note 3)	\$ 76,648	\$ 76,113
Remuneration of directors and senior officers	129,072	140,437
Interest on long term debt	32,968	42,920
	<u>\$ 238,688</u>	<u>\$ 259,470</u>
PROFIT (Before income taxes)	\$ 105,447	\$ 131,145
Deduct: Provision for income taxes	43,949	46,457
NET PROFIT (Note 14)	<u>\$ 61,498</u>	<u>\$ 84,688</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	YEAR ENDED AUG. 31	
	1971	1970
Balance at beginning of year	\$ 483,150	\$ 530,829
Add: Net profit for year	61,498	84,688
	<u>\$ 544,648</u>	<u>\$ 615,517</u>
Deduct: Net loss or (profit) on disposals of fixed assets	\$ (776)	\$ 83,599
Incorporation and issue expenses, amount written off (note 4)	4,000	4,000
Dividends on preference shares	32,719	32,768
Amount transferred to first preference shares, series A purchase fund (Note 13)	12,000	12,000
	<u>\$ 47,943</u>	<u>\$ 132,367</u>
Balance at end of year	<u>\$ 496,705</u>	<u>\$ 483,150</u>

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	YEAR ENDED AUG. 31	
	1971	1970
Source of funds:		
Net profit from operations	\$ 61,498	\$ 84,688
Depreciation (a charge not requiring a cash outlay)	76,648	76,113
Funds from operations	<u>\$ 138,146</u>	<u>\$ 160,801</u>
Increase in long term debt	50,000	
Proceeds from disposals of equipment	6,400	35,489
Current portion of long term asset	7,138	6,682
Principal payments pursuant to an agreement of sale		4,698
	<u>\$ 201,684</u>	<u>\$ 207,670</u>
Use of funds:		
Cost of additions to fixed assets	\$ 68,998	\$ 31,008
Repayments on long term debt	55,900	55,900
Dividends on preference shares	32,719	32,768
	<u>\$ 157,617</u>	<u>\$ 119,676</u>
Increase in working capital	<u>\$ 44,067</u>	<u>\$ 87,994</u>

NIAGARA STRUCTURAL STEEL COMPANY LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AUGUST 31, 1971

1. The consolidated financial statements include the accounts of Niagara Structural Steel Company Limited and its subsidiary companies which are all wholly owned.
2. According to an independent appraisal made by Cooper Appraisals Limited dated February 16, 1962, the fixed assets owned on that date by the subsidiary, Niagara Structural Steel (St. Catharines) Limited, were appraised at a depreciated value of \$1,439,547. The directors of that subsidiary company, however, placed a value on these assets of \$1,428,697 and an excess of \$913,165 over depreciated net book value has been included in the value of the fixed assets. Subsequent additions have been recorded at cost.
3. The Company has adopted the straight-line method of depreciation as the basis for taking depreciation on fixed assets. Depreciation charged to operations for the year is in accordance with the rates previously determined by an independent firm of consulting engineers.
4. The cost of incorporation and issue expenses is being amortized at the rate of \$4,000 per year.

5. Bank term loan is subject to annual review by the bank and matures on March 5, 1974.
Principal balance bearing a floating interest rate of 1¼% over
the bank's current prime rate \$368,575

Deduct: payments due within one year included in current
liabilities 51,900
\$316,675

This bank term loan is secured by a pledge of demand debenture subject to the provisions of a loan agreement. The debenture constitutes a first, fixed and specific mortgage and charge on the lands and equipment and a floating charge on all other assets, subject to the first mortgage on lands and buildings referred to in Note 7 following, and to the Company giving security in priority to the debenture to its general bankers on its inventory and accounts receivable or other property or assets embraced in the floating charge under the provisions of the Bank Act or otherwise. The bank term loan is repayable as to principal in monthly instalments of \$4,325 plus interest.

6. Advances by the general bankers are secured by a pledge of accounts receivable and inventories. In addition a \$1,250,000 demand debenture has been issued to the general bankers as collateral security consisting of a floating charge on all the assets of the Company subject in priority to the debenture referred to in Note 5.
7. The Company owns a one-half interest in certain lands and buildings adjacent to the site of the Company's plant. This property is subject to a first mortgage balance of \$13,000, bearing interest at 7% per annum and repayable \$2,000 quarter yearly on account of principal plus interest.

Principal mortgage balance, one-half share	\$ 6,500
Deduct: payments due within one year included in current liabilities, one-half share	<u>4,000</u>
	<u>\$ 2,500</u>

8. Contingent liabilities:

Letters of credit, balance outstanding	\$18,530
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The Company has commenced an action in which it is claiming the sum of \$526,888. This amount is comprised of \$219,364 being the balance of the contract price which has been included in income and \$307,524 for damages. The defendant has counterclaimed in the sum of \$309,198. Counsel is of the opinion that the Company will be successful in its defense against this counterclaim.

9. The Company did not purchase during the current year any First Preference shares, Series A for cancellation. The total number of First Preference shares, Series A with a par value of \$30 each purchased for cancellation out of the purchase fund set aside up to the close of the current fiscal year, is 1,750 shares purchased at a total of cost of \$46,947. The difference of \$5,553 has been credited to contributed surplus.

10. The subsidiary, Northern Steel (Nfld) Limited, entered into an agreement in 1970 to sell the building at Wabush Mines, Labrador. The balance is payable in 108 consecutive monthly payments of \$1,000 each including principal and interest at 6 5/8% per annum.

Principal balance pursuant to an agreement of sale	\$76,620
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Deduct: payments due within one year included in current assets	7,138
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	<u>\$69,482</u>
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11. The number of common shares issued will be increased in the event of conversions of the 6½% cumulative redeemable convertible First Preference shares, Series A, pursuant to the conversion rights attached to such shares.

12. Up to the close of the current fiscal year, 1,471 First Preference shares, Series A, have been converted into fully paid Common shares without par value and 11,768 Common shares were issued on such conversion on the basis of eight Common shares for each one First Preference share, Series A.

13. The Company has set aside out of profit to the credit of the Preference share purchase fund the amount of \$12,000 in accordance with the maximum requirements of the conditions attached to the First Preference shares, Series A.

14. The Company has undertaken to grant, to certain officers and full-time key employees, options to purchase up to a total of 45,000 common shares in its capital of \$3 per share, such options to be exercised within such periods as the directors may determine.

